

PUBLIC DISCLOSURE

October 14, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BUTLER BANK – A CO-OPERATIVE BANK

10 GEORGE STREET

LOWELL, MA 01852

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>=NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Butler Bank – A Co-operative Bank (Butler Bank) prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory”

The overall rating of satisfactory is based on Butler Bank's excellent net loan to deposit ratios, as well as a good willingness to lend to low and moderate income individuals within its assessment area. Butler Bank is considered to meet the standards for satisfactory performance in lending inside and outside its assessment area. Butler Bank's geographic distribution of loans is considered to be less than adequate and needs improvement at this time.

The net loan-to-deposit ratio has fluctuated over the time period reviewed. The highest ratio occurred in June 30, 2003 with 93.8 percent, while the lowest ration is September 30, 2002 at 77.7 percent. Loan growth has outpaced deposit growth during this time period, and loans increased approximately 70.4 percent, while deposits increased approximately 50.6 percent. Butler Bank's net loan to deposit ratio is considered to exceed the standards for satisfactory performance.

While Butler Bank's HMDA reportable loan originations to low-income borrowers are minimal, the bank's record of serving moderate-income applicants compares well to the aggregate performance. Lending to borrowers of different incomes is considered to meet the standards for satisfactory performance.

With the exception of three loans in 2002, Butler Bank did not have any originations within low or moderate-income census tracts throughout the assessment area. Butler Bank's performance in geographic distribution of loans is considered not to meet the standards for satisfactory performance.

PERFORMANCE CONTEXT

Description of Institution

Butler Bank is a state chartered mutually owned community bank with one office located at 10 George Street in downtown Lowell, Massachusetts. In addition, the bank opened a loan production office (LPO) in Kennebunk, Maine, during March, 2003.

As of September 30, 2003, assets totaled \$103,368,000, of which 77.5 percent are in the form of net loans.

Refer to the following table for additional information on the breakdown of loans.

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
Construction and Land Development	\$ 50,660	62.3
1-4 Family Residential	\$ 18,249	22.5
Commercial Real Estate	\$ 8,948	11.0
Equity Lines of Credit	\$ 2,159	2.7
Consumer Loans	\$ 859	1.1
Commercial Loans	\$ 386	0.4
Total Gross Loans	\$ 81,261	100.0

Source: September 30, 2003 Consolidated Report of Condition.

As shown in the table above, Butler Bank's primary form of lending activity is construction and land development, which accounts for 62.3 percent of total gross loans, followed by 1-4 family residential with 22.5 percent, and commercial real estate with 11.0 percent. As mentioned, Butler Bank is well known throughout the community as a construction lender. Although 1-4 family residential loans comprised 22.5 percent of the bank's loan portfolio, many of these loans start out as construction and become permanent financing, and therefore will be reported on the bank's HMDA/LAR (Loan Application Register).

Butler Bank operates one full service office in downtown Lowell. This office is located in a low-income census tract.

Butler Bank has strong competition from several financial institutions within its assessment area. These financial institutions include but are not limited to the following: MASSBANK, Lowell Five Cents Savings Bank, Enterprise Bank and Trust Company, Washington Savings Bank, Lowell Co-operative Bank, Sovereign Bank, and Fleet Bank, N.A., as well as representatives of regional and national banking and mortgage companies. The market influence from these institutions appears to be significant, and as a result, serves to keep the bank's rates and services offered competitive.

Description of Institution (continued)

There are no significant financial or legal impediments that limit the bank's ability to help meet the credit needs of the assessment area. The bank's most recent CRA evaluation, performed by the Division on May 30, 2000, assigned the institution a rating of "Satisfactory." The previous evaluation performed by the Federal Deposit Insurance Corporation (FDIC) as of March 8, 1999, also assigned a rating of "Satisfactory."

Description of Assessment Area

CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Office of Management and Budget establishes Metropolitan Statistical Areas (MSAs) for statistical reporting purposes by federal and state agencies.

Butler Bank defines its assessment area as the cities and towns of Lowell, Billerica, Chelmsford, Dracut, Dunstable, Groton, Pepperell, Tewksbury, Tyngsboro, Westford, and Pelham, New Hampshire.

The demographic data for this evaluation consists of both 1990 and 2000 U.S. Census information. For analysis purposes, 1990 data will be utilized in analyzing both the 2001 and 2002 performance, and 2000 data will be factored into the year-to-date 2003 analysis.

According to the 2000 census data, the population of the bank's current assessment area was 301,686, of which 16.9 percent are minorities. The assessment area consists of 65 census tracts, of which 8 or 12.3 percent are low-income; 14 or 21.5 percent are moderate-income; 24 or 36.9 percent are middle-income; and 19 or 29.2 percent are upper-income.

Refer to the following table regarding housing characteristics according to 2000 Census Data:

<i>Selected Housing Characteristics by Income Category of the Geography</i>						
<i>Geographic Income Category</i>	<i>Percentage</i>					
	<i>Census Tracts</i>	<i>House holds</i>	<i>Housing Units</i>	<i>Owner-Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>
<i>Low</i>	12.3%	7.9%	8.1%	1.9%	21.7%	14.5%
<i>Moderate</i>	21.5%	21.9%	22.2%	14.7%	38.7%	34.4%
<i>Middle</i>	36.9%	41.5%	41.2%	47.0%	28.8%	28.7%
<i>Upper</i>	29.2%	28.7%	28.5%	36.4%	10.8%	22.4%
<i>Total or Median</i>	100.0%	100.0%	100.0%	100.0%	100.0%	<i>100.0%</i>

Source: 2000 U.S. Census

Description of Assessment Area (continued)

The 1990 census data indicates the population of Butler Bank's assessment area was 280,588, of which 29,455 or 10.5 percent are minorities. The assessment area consists of 51 census tracts, of which 6 or 11.8 percent are low-income; 13 or 25.5 percent are moderate-income; 24 or 47.1 percent are middle-income; and 8 or 15.7 percent are upper-income.

The median family incomes for the Lowell MSA for 2001, 2002, and 2003 are \$70,200, \$75,200 and \$79,700, respectively. The income figures are based on estimated Department of Housing and Urban Development (HUD) information. Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

Market share information obtained from PCI Services, Inc. CRA WIZ, based on 2002 aggregate performance data indicates 418 mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions have either originated or purchased residential mortgage loans within the bank's assessment area.

City Of Lowell

The City of Lowell has 100 percent of the assessment area's low and moderate-income census tracts. While the City of Lowell's population represents 35 percent of the total assessment area population, and 36 percent of the total housing units, opportunities to originate a large number of loans in Lowell could be limited. Analysis of the demographic data revealed that only 41 percent of the housing units are owner-occupied, 16 percent of the total households are below the poverty level, and the median housing value is \$138,003. In addition, Lowell continues to have one of the Commonwealth's highest unemployment rates, at 8.5 percent.

Employment

A comparison of the unemployment rates (2000 to 2003) for each of the cities/towns within the assessment area revealed an increasing trend (in most communities). This trend is consistent with the general downturn in the local and U.S. economies. While the City of Lowell, at 8.5 percent, remains high, exceeding both the U.S. and State unemployment figures, other municipalities (including Pelham, NH, and Tyngsboro and Pepperell, MA) within the assessment area remain somewhat elevated. The following table highlights the unemployment rates within the assessment area.

Unemployment Rates		
City/Town	2002 %	YTD 2003 %
Billerica	5.8	6.1
Chelmsford	5.1	5.3
Dracut	6.1	6.0
Dunstable	5.3	5.3
Groton	5.5	5.0
Lowell	8.2	8.5
Pepperell	6.2	6.4
Tewksbury	5.2	5.9
Tyngsboro	5.5	6.3
Westford	5.6	6.0
Pelham, NH	7.8	6.8
Middlesex County	4.9	5.0
Hillsborough County	5.4	4.9
Massachusetts	5.3	5.7
New Hampshire	4.7	4.3
U.S.	5.8	6.2

Community Contact

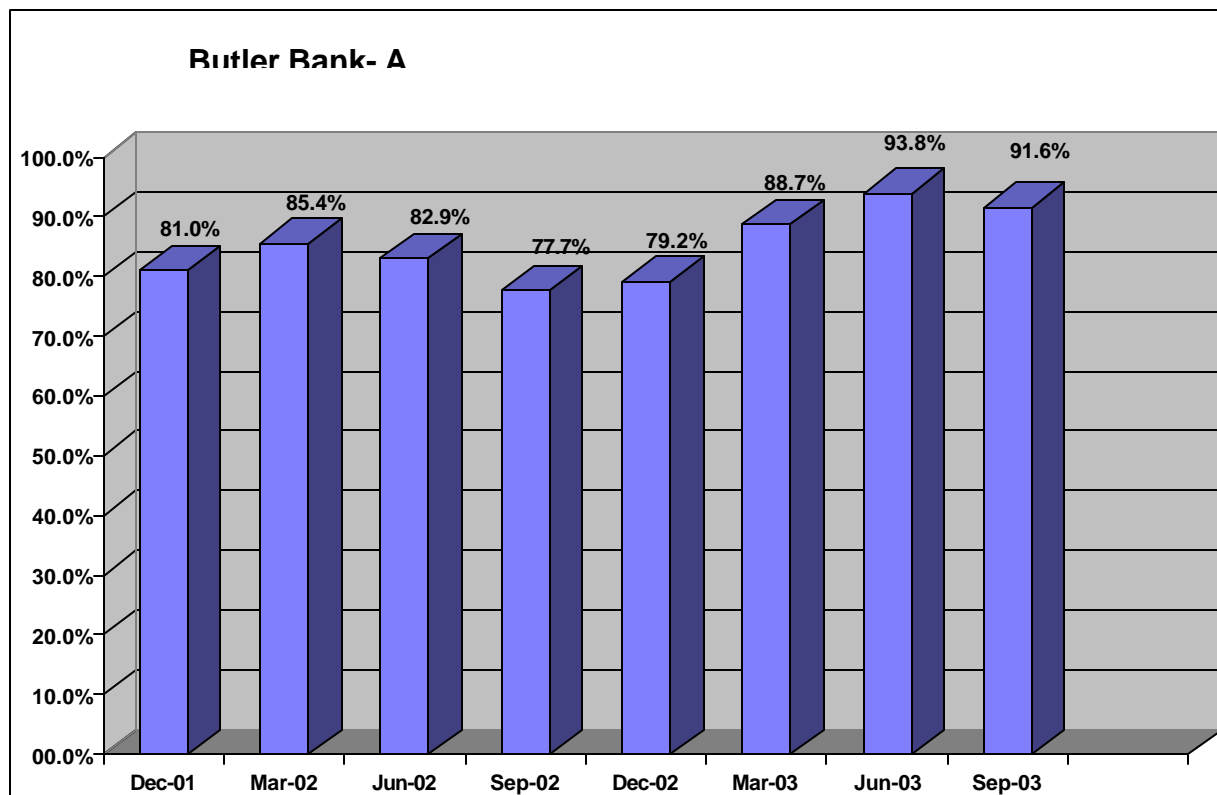
Two community contacts were referenced during the examination. The organizations contacted are both located in Lowell, MA. According to the contacts, the City of Lowell (as well as surrounding communities) is in need of affordable housing programs and small business financing. In addition, one contact also mentioned the need to provide financial education to the City's extensive Cambodian population.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

An analysis of Butler Bank's net loan-to-deposit ratio was performed during the examination. The analysis utilized the last eight quarters of the FDIC Call Report data for this institution. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The bank's net loans to total deposits as reported to the FDIC were reviewed for the quarters beginning December 31, 2001 through June 30, 2003. The bank's average net loan to deposit ratio for this time period was determined to be 85.0 percent. The net loan-to-deposit ratio has fluctuated over the time period reviewed. The highest ratio occurred in June 30, 2003 with 93.8 percent, while the lowest ratio is September 30, 2002 at 77.7 percent. The asset size of the institution has increased from \$65,392,000 as of December 31, 2001, to \$103,368,000 as of September 30, 2003, which represents a 58.1 percent increase. Loan growth has outpaced deposit growth during this time period, and loans increased approximately 70.4 percent, while deposits increased approximately 50.6 percent.

The following graph depicts the net loan-to-deposit ratio for each quarter under review:



LOAN TO DEPOSIT ANALYSIS (continued)

Butler Bank's net loan to deposit ratio was compared to the ratios of five other area institutions. These institutions all have a physical presence in Lowell and are regulated by the Division. Although all these institutions are located within the City of Lowell, their forte or business practice may be different than Butler Bank's practice, and their asset sizes may be quite different, they are still considered to be Butler Bank's primary competition. These ratios are as of June 30, 2003.

Please refer to the following table for more details:

INSTITUTION	<u>NET LOAN-TO-DEPOSIT</u> <u>RATIO</u>
Butler Bank	93.8%
Lowell Co-operative Bank	71.4%
Enterprise Bank	63.6%
Washington Savings Bank	46.4%
Lowell Five Cents Savings Bank	38.0%
MASSBANK	33.4%

Based on the above information and Butler Bank's capacity to lend, the strong competition from other institutions in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, the bank's net loan to deposit ratio is considered to exceed the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Butler Bank's 2001, 2002, and year-to-date July 31, 2003, HMDA/LARs were reviewed to determine the amount of credit extended within the bank's assessment area. During this period, the bank originated 120 HMDA reportable loans totaling approximately \$32,203,000. Of these loans, 59 or 49.2 percent were originated inside the bank's assessment area totaling \$12,914,000 or 40.1 percent of the total dollar amount.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S) (continued)

Refer to the following tables for additional information regarding the bank's HMDA-reportable lending, by both number and dollar volume:

Distribution of Home Mortgage Loans Originated Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2001	20	60.6%	3,671	54.2%	13	39.4%	3,105	45.8%
2002	27	50.0%	5,926	42.6%	27	50.0%	7,981	57.4%
2003	12	36.4%	3,317	28.8%	21	63.6%	8,203	71.2%
Total	59	49.2%	12,914	40.1%	61	50.8%	19,289	59.9%

Source: HMDA/LAR 1/1/01 – 7/31/03

As indicated in the table above, the majority of loans originated during the examination period were located outside of the bank's assessment area.

The City of Pelham, NH accounted for the largest distribution of HMDA loan originations throughout the assessment area with 17 loans or 28.8 percent of the total number, followed by Dracut with 10 or 16.9 percent and Lowell with 9 or 15.2 percent.

As mentioned in the performance context, Butler Bank is primarily a construction lender, therefore many of the loan originations are not recorded on HMDA, unless the purpose is to be construction-permanent loans. Based on this information, Butler Bank is ranked quite low when compared to the other 418 lenders that have originated or purchased loans throughout the assessment area. The top three lenders for originations and purchases within the assessment area for calendar year 2002 were Washington Mutual Bank, FA, Countrywide Home Loans, and Fleet Bank, N.A.

An additional review of Butler Bank's secondary mortgage department loans that were table-funded through various investors has been reviewed for the time period of 2001, 2002, and year-to-date July 31, 2003. Butler Bank does not make the credit decision nor does the institution fund these loans, therefore, these loans are not reported on the HMDA. However, by offering this product, Butler Bank provides a service to individuals located throughout the assessment area. This analysis indicates that Butler Bank table-funded 626 loans totaling \$95,193,938 through various investors. Of these loans, 406 or 64.9 percent totaling \$58,196,623 or 61.1 percent were to individuals located throughout the Butler Bank's assessment area. Furthermore, the City of Lowell accounted for the largest volume of loans within the assessment area at 40.9 percent.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S) (continued)

Based on the above information, the analysis of HMDA-reportable originations indicates that the bank's comparison of credit extended inside and outside of the assessment area would not meet the standards for satisfactory performance. Although HMDA reportable loans originated within the assessment area account for less than fifty percent, a review of the table-funded loans were given consideration as Butler Bank performs this service primarily throughout the entire assessment area. Therefore, Butler Bank's level of lending within its assessment area is considered to meet the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The bank's HMDA reportable loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Lowell, Massachusetts MSA. The income figures are based on estimated HUD information.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table shows, by number, HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the percentage of households within the assessment area in each respective income group.

Distribution of HMDA reportable loans Within the Assessment Area to Borrowers of Different Income Levels by Number

Distribution of HMDA Loans by Borrower Income – Total Assessment Area									
Median Family Income Level	% Total Family House holds	2001		2002		2003*		Total	
		#	%	#	%	#	%	#	%
Low	6.0%	0	0.0	3	11.1	0	0.0	3	5.1
Moderate	19.8%	5	25.0	6	22.2	3	25.0	14	23.7
Middle	42.4%	5	25.0	5	18.5	3	25.0	13	22.0
Upper	31.8%	8	40.0	7	26.0	6	50.0	21	35.6
NA	N/A	2	10.0	6	22.2	0	0.0	8	13.6
Total	100.0%	20	100.0%	27	100.0%	12	100.0%	59	100.0%

Source: U.S. Census, HMDA LAR 1/1/01 – 7/31/03

DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS (continued)

During the time period reviewed, Butler Bank extended 3 loans to low-income borrowers representing 5.1 percent of total loans originated within the assessment area. Although these numbers are slightly below the 6.0 percent of low-income family households within the assessment area, there are mitigating factors present that account for this disparity such as competition, the percentage of people living below the poverty level who cannot afford to purchase a home, as well as the high number of rental units that make up the assessment area.

In addition, the bank extended 14 loans to moderate-income borrowers, representing 23.7 percent by number inside the assessment area. The number of loans granted to moderate-income borrowers is slightly above the 19.8 percent of moderate-income family households within the assessment area.

The distribution of the bank's loans among various borrower income levels may also be compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions, and mortgage companies. The most recent year for this comparison is 2002.

The following table shows the bank's distribution of loans among various income levels compared to that of all other 418 HMDA-reportable lenders for calendar year 2002 throughout the bank's entire assessment area.

Distribution of HMDA Reportable Loans By Borrower Income Butler Bank Compared to All Other Reporters								
Median Family Income Level	Number of Loans				Dollar Amount of Loans			
	Butler Bank		All Other Reporters		Butler Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	3	11.1%	1,818	5.6%	221	3.7%	192,957	3.3%
Moderate	6	22.2%	6,282	19.5%	1,070	18.1%	887,032	15.3%
Middle	5	18.5%	8,855	27.5%	1,021	17.2%	1,509,941	26.1%
Upper	7	26.0%	9,798	30.4%	1,924	32.5%	2,176,098	37.7%
NA	6	22.2%	5,465	17.0%	1,690	28.5%	1,014,408	17.6%
Total	27	100.0%	32,218	100.0%	5,926	100.0%	5,780,436	100.0%

Source: HMDA LAR, 2002 HMDA Aggregate Data

As shown above, the bank's percentage of lending to borrowers of low-income is above the aggregate by number and dollar amount for 2002. The bank originated 11.1 percent by number and 3.7 percent by dollar amount of the total HMDA loans within the assessment area to low-income borrowers, compared to the aggregate with 5.6 percent by number and 3.3 percent by dollar amount.

DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS (continued)

The bank's HMDA reportable loans originated during 2002 to moderate-income borrowers accounted for 22.2 percent by number and 18.1 percent by dollar amount within the assessment area. Both number and dollar amount are above the aggregate of 19.5 percent and 15.3 percent, respectively.

As mentioned in the performance context, Butler Bank is primarily a construction lender, therefore many of the loan originations are not recorded on HMDA, unless the purpose is to be construction-permanent loans. The top three lenders to low and moderate-income individuals throughout the assessment area for calendar year 2002 were Countrywide Home Loans, Fleet National Bank, and GMAC Mortgage Company.

Based on all of the above information, Butler Bank's lending to borrowers of different income levels, particularly those of low and moderate-income, reflects an adequate performance. Therefore, Butler Bank is considered to meet the standards for satisfactory performance under the distribution of credit among borrowers of different income levels.

4. GEOGRAPHIC DISTRIBUTION

The bank's HMDA-reportable loans located within the bank's assessment area were further analyzed to determine their location by census tract income level. The demographic data utilized in the analysis for the 2001 and 2002 performance was obtained from the 1990 U.S. Census, while the 2003 analysis utilized the 2000 U.S. census data. As noted in the Performance Context, the total number of census tracts varies from the 1990 and 2000 census information.

Refer to the following table for more information on census tract distribution throughout the assessment area:

Census Tract Distribution		
	1990 Census	2000 Census
Low	6	8
Moderate	13	14
Middle	24	24
Upper	8	19
Total	51	65

The following table provides a breakdown, by number of the bank's HMDA reportable loans within its assessment area according to the census tract income level. The table also shows the loans in comparison to the number of owner-occupied housing units in each of the census tract income categories.

GEOGRAPHIC DISTRIBUTION (continued)

Distribution of Residential Loans Within the Assessment Area by Census Tract Income Level by Number

<i>Distribution of HMDA Loans by Income Category of the Census Tract</i>										
Census Tract Income Level	% Total Owner-Occupied Housing Units		2001		2002		2003*		Total	
			#	%	#	%	#	%	#	%
	1990	2000								
Low	0.8%	1.9%	0	00	0	0.0	0	0.0	0	0.0
Moderate	10.4%	14.7%	0	0.0	3	11.1	0	0.0	3	5.1
Middle	64.0%	47.0%	15	75.0	22	81.5	9	75.0	46	78.0
Upper	24.8%	36.4%	5	25.0	2	7.4	3	25.0	10	16.9
Total	100.0%	100.0%	20	100.0%	27	100.0%	12	100.0%	59	100.0%

Source: U.S. Census, HMDA LAR

- - Year to Date July 31, 2003

During the time period reviewed, Butler Bank did not extend any loans throughout low-income census tracts of the assessment area. Additionally, the bank granted three loans in moderate-income census tracts, all occurring during calendar year 2002.

The geographic distribution of the bank's loans by census tract category may also be compared to that of all other HMDA reportable lenders in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 2002 and is presented in the following table.

Lending Within the Assessment Area by Census Tract Income Level Butler Bank Compared to All Other HMDA Reporters

Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	Butler Bank		All Other Reporters		Butler Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	0	0.0%	404	1.3%	0	0.0%	54,170	0.9%
Moderate	3	11.1%	3,007	9.3%	221	3.7%	411,949	7.1%
Middle	22	81.5%	20,620	64.0%	5,535	93.4%	3,593,872	62.2%
Upper	2	7.4%	8,187	25.4%	170	2.9%	1,720,445	29.8%
Total	27	100.0	32,218	100.0	5,926	100.0	5,780,436	100.0

Source: HMDA/LAR Data for the period 1/1/02 to 12/31/02.

As indicated in the above table, Butler Bank did not originate any loans in low-income census tracts throughout the assessment area during 2002. The aggregate accounted for 1.3 percent by number and 0.9 percent by dollar volume of originations in low-income census tracts.

GEOGRAPHIC DISTRIBUTION (continued)

Butler Bank extended 3 loans in moderate-income census tracts throughout the assessment area representing 11.1 percent by number and 3.7 percent by dollar amount. The aggregate lending in moderate-income census tracts throughout the assessment area accounted for 9.3 percent by number and 7.1 percent by dollar volume.

The bank's geographic distribution of loans is considered to be less than adequate. As reflected in the tables above, Butler Bank's loans are considerable throughout the assessment area's middle and upper-income census tracts. While it is acknowledged that Butler Bank faces certain constraints (competition, limited number of owner-occupied units, and business strategy), the lack of loan originations within low and moderate-income census tracts is in need of improvement. Therefore, Butler Bank is considered not to meet the standards for satisfactory performance in this criterion.

5. FAIR LENDING POLICES AND PRACTICES

A review of the bank's public comment file indicated that the bank received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, a review of the bank's residential loan application files was conducted to evaluate fair lending issues. There were no discriminatory practices evident in the file review.

Butler Bank has a written Fair Lending Policy, which is incorporated as part of its Compliance Program and Statement. Included in this policy are the bank's efforts to eliminate discrimination in all aspects of credit and lending as well as to provide guidance to bank employees on how to comply with fair lending policies and procedures.

Butler Bank markets its services and products to the community primarily through print advertisements.

Butler Bank held a fair lending training for all members of the Lending Department on July 7, 2002. This training included an overview of Fair Lending Laws and Regulations as well as an overview of Interagency Policy on Discrimination in Lending.

Minority Application Flow

Butler Bank's application flow was reviewed during the examination. Based on 1990 census data, the minority makeup of the assessment area is 10.5 percent of the total population. In addition, year-to-date July 31, 2003 HMDA information is used in conjunction with the 2000 census data. Based on 2000 census data, the minority makeup of the assessment area is 16.9 percent of the total population. During the calendar years 2001 and 2002, Butler Bank received 71 HMDA applications, of which nine or 12.5 percent were received from minority individuals. This is slightly above the 1990 census data of 10.5 percent. Of the nine applications received from minority

FAIR LENDING POLICES AND PRACTICES (continued)

Minority Application Flow (continued)

individuals during this time period, only two resulted in originations. A further analysis of year-to-date July 31, 2003 HMDA indicates that Butler Bank received 24 applications, of which 3 or 12.5 percent were from minority individuals. This is below the 16.9 percent makeup of the assessment area for 2000 census data. Of the three applications received from minority individuals, one resulted in an origination.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

BUTLER BANK – A CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **OCTOBER 14, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
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_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 10 George Street, Lowell, MA.

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing.

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.